

Date: August 18, 2015

To: Thomas J. Bonfield, City Manager

Through: Wanda S. Page, Deputy City Manager

From: David Boyd, Finance Director
Sue Sandhoff, Financial Operations Manager

Subject: Contract for False Alarm Reduction Program Services

Executive Summary

In January 2006, the City Council adopted a new False Alarm Ordinance (#13194). The purpose of the Ordinance was to encourage more responsible use of alarm systems and to reduce the number of false alarms to which Police and Fire personnel must respond.

The administration recommends entering into a contract with PMAM Corporation of Dallas, Texas that will provide the City with a turnkey solution for False Alarm Reduction Program Services. The total estimated cost of the contract is \$57,200.00 per year, and \$171,600.00 over a three year period. Funding for this contract is available from the revenues collected.

Recommendation

That the City Manager be authorized to enter into a contract with PMAM Corporation for False Alarm Reduction Program Services in the estimated amount of \$171,600.00 and be authorized to execute all relevant contracts, and

That the City Manager be authorized to modify the contract before execution provided that the modifications do not increase the dollar amount of the contract and are consistent with the general intent of the existing version of the contract.

Background

In January 2006, the City Council adopted a new False Alarm Ordinance (#13194). The ultimate goal of the False Alarm Ordinance was not to generate revenues, but to educate alarm users on how to be more responsible, which will ultimately reduce the number of false alarms. This, in turn, lowers the cost associated with Police and Fire personnel responding to such calls.

Responding to false alarm calls by the Police and Fire departments involves an enormous amount of personnel time and related equipment use that creates an unnecessary expense. A 2010 benchmarking study conducted by the University of North Carolina School of Government indicated that it cost the Police Department \$202.00 and the Fire Department \$1,399 respectively, to respond to an alarm. In recent years, false alarms requiring a Police Department response have represented 77% of total alarm counts, with the remaining 23% requiring a response from the Fire Department. Using these figures, false alarm responses are estimated to have cost the Police and Fire Departments collectively as much as \$1,900,000 in 2013 and \$990,000 in 2014. Growing concerns about the number of false

alarm calls that the Police and Fire departments received on a monthly basis revealed the need to establish a way to help further reduce and eliminate as many false alarm calls as possible. A number of departments invested resources in the day to day administration of the False Alarm Ordinance – the Police, Fire, Emergency Communications, Technology Solutions, and Finance departments supported the in-house operation. In May 2012, the City Council approved a contract with Public Safety Corporation for outsourcing of the False Alarm Reduction Program Services. The intended outcome was to provide a more comprehensive, efficient, and cost effective method for administration of the false alarm program, and to support the goal of reducing the number of false alarms which required response of the Police and Fire Department personnel.

Upon the expiration of the contract with Public Safety Corporation, the Finance Department initiated a Request for Proposal process to invite prospective candidates with experience managing false alarm programs to submit proposals for services. There were three respondents to the proposal process: Public Safety Corporation, the existing service provider, which offered a proposal with fees ranging from 18% to 38% of collections; Fire Recovery, Inc., presenting fees at the rate of 33%; and PMAM Corporation, which proposed fees ranging from 15% to 20% of collections.

In an effort to further enhance the management of the false alarm reduction program, the administration recommends that the City now outsource the management and administration of the program to PMAM Corporation. The program capabilities of the PMAM false alarm solution related to overall program management, customer service and client support, education and outreach, and billing and collections offers the best fit to meet the City of Durham's needs.

Issues and Analysis

The administration continues to look for enhancements to the methods of managing the false alarm program and to decrease the number of false alarms that emergency personnel must respond to on a yearly basis.

The transition to outsourcing of services with Public Safety Corporation in 2012 provided some improvements in the administration of the False Alarm Ordinance. Efficiencies have been recognized in the accuracy of identifying false alarms and subsequent billings generated and better coordination of the appeals process. In 2013, there were 3,964 false alarm billings for a total of \$471,300, and in 2014, the total number of false alarms billed was 2,093 totaling \$291,300. However, collections of billed amounts by Public Safety Corporation have not met our expectations. During the contract term, the collections percentage rate for Public Safety Corporation was 56.48% at its highest, and most recently was 55.99%. The administration is seeking a solution which will expand the outreach and education components of the program, enhance customer service, and increase collections on false alarm accounts. The solution offered by PMAM Corporation provides the best option to fulfill these objectives.

Alternatives

One alternative would be to continue outsourcing of the False Alarm Reduction Program Services to Public Safety Corporation. This solution would not offer the expanded outreach and education, customer service, or increased collections components the City is seeking.

Another alternative would be to purchase program software and manage the program in-house. This solution would not be as effective because the City does not currently have

resources that can be dedicated strictly to supporting program administration or the billing and collections of false alarm accounts.

Financial Impact

This proposed contract has no startup costs. PMAM Corporation only receives payment when they are successful in the collection of false alarm revenues. The contract uses a revenue sharing model that would cover the cost of running the program.

City Revenue Share: 80% - 85%, depending on collections.

<u>Collected Revenues Each Contract Year</u>	<u>PMAM Corporation Revenue Share</u>
\$0 - \$300,000	20%
\$300,001 and up	15%

While the actual cost of the contract is dependent upon collections, it is estimated that the PMAM Corporation's share of the revenue will be approximately \$57,200.00 per year, and \$171,600.00 over the three-year life of the contract. Funding for this contract will come from the revenues collected.

SDBE Summary

The Equal Opportunity/Equity Assurance Department reviewed the proposal submitted by PMAM Corporation Inc. of Dallas, Texas and have determined that they are in compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

SDBE REQUIREMENTS

No MSDBE or WSDBE goals were set.

WORKFORCE STATISTICS

Workforce statistics for PMAM Corporation are as follows:

Total Workforce	39	
Total Females	22	(56%)
Total Males	17	(44%)
Black Males	4	(10%)
White Males	7	(18%)
Other Males	6	(15%)
Black Females	3	(8%)
White Females	8	(21%)
Other Females	11	(28%)

Attachments

Contract for False Alarm Reduction Program Services (7 pages)

Exhibit A – Scope of Services (2 pages)

Exhibit B – Payment Terms (1 page)